

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1046
ANSWERED ON:23.11.2007
ROBBERY IN BANKS
Murmu Shri Hemlal

Will the Minister of FINANCE be pleased to state:

- (a) the number of cases of frauds, financial irregularities, crimes in various banks and financial institutions reported in each State of the country during the last three years and the current year, as on date;
- (b) whether the State Bank of India has filed a case of fraud against TCICI Bank recently;
- (c) if so, the details thereof and the effective steps taken by the Government to solve these cases and punish culprits; and
- (d) the details of action taken by the Government in each State of the country to check the recurrence of such incidents in each bank and financial institutions in future?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) : The number of cases of frauds and amount involved therein, in each state, as reported by banks to Reserve Bank of India (RBI), for the years 2005, 2006 and 2007 (upto June) is given in Annex.

(b)&(c): Bailey Road, Patna Branch of State Bank of India has lodged a complaint with the police against payee of cheque who is the customer of ICICI Bank and the Branch Manager of ICICI Bank, Patna. A forged cheque for Rs.2.10 lacs was presented by ICICI Bank, Patna Branch on State Bank of India, Service Branch, Patna in clearing on 17.10.2007. The bank had issued cautionary instructions to all the branches in the circles regarding payment of cheques and the attempted fraud was thwarted by vigilant staff.

(d): RBI has taken various fraud preventing measures to check the recurrence of frauds. As a part of its supervisory responsibility, RBI has been advising banks from time to time about the common fraud prone areas and the measures to be taken by them to prevent/reduce the incidents of frauds in banks. Caution advices are issued to banks by RBI containing the details of unscrupulous borrowers and related parties who had perpetrated frauds on banks, so that banks could exercise caution while extending credit facilities to them. Some of the measures taken by the banks to check the recurrence of frauds are as under:

Introducing a system of concurrent audit covering branches accounting for at least 50 percent of business (deposits plus advances).
Reviewing working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors. Constituting a Special Committee of the Board exclusively for monitoring frauds of Rs.1 crore and above.
Examining staff accountability and instituting disciplinary action expeditiously against the staff involved in frauds.

On the basis of recommendations made by Mitra Committee on legal aspects of bank frauds in part I of its report, banks were advised to take various preventive steps viz. Development of Best Practice Code (BPC), System of internalization of BPC, strengthening internal checks and internal controls and introducing Legal Compliance Audit.